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Comments on W. Tennyson's notes regarding KDK's Paper:

"Products of the Late 80's and 90's"

The general "reactionary" tone of WT's initial comments (regarding environmental problems, fire risk, sidestream, etc.) came as no surprise. Wilmot is a salesman par excellence. If we can provide him with marketable products for which a demand exists - or can be created - I am sure he would exploit such innovation.

His comments regarding the "barrier of taste dilution" clearly reflect our own thinking regarding the need to improve the low delivery smoking experience and I take his views as an endorsement of our intentions in the "smoking dynamics" area.

His hypothesis regarding the influence of cost is very interesting, but difficult to test. Certainly, the "value for money" argument is claimed to be the reason why, in Denmark, the move to low deliveries has not yet taken place to any significant degree. One could argue that, if the consumer is buying nicotine, then we should endeavour to maximize the pharmacological value and minimize the tar "cost" penalty. Pursuing such a line of thought almost leads us to the "pharmaceutical" fix which WT rejects.

Given WT's analysis of the consumer's cost/benefit judgement (with which I am sure we would all agree) and his prognosis regarding the development of real monetary cost, we are forced to look for enhancement to the "pluses" to offset the growth in the "minuses". As you know, whilst we recognise the importance of financial cost - particularly in price promiscuous markets like the UK - we have not felt able to incorporate this dimension into our own models of smoker behaviour. There are techniques, such as conjoint analysis, which we have looked at in this connection but, like so many "what if" procedures, it is subject to several assumption problems. (About five years ago, B&W Market Research were heavily into conjoint measurement - per Rich Lewis - but I don't know how this turned out.)

Surely the problem about taxation and cigarette prices is only a problem when the Treasury "loses" to the Health Minister. If prices only increase in line with R.P.I., then we should not be too distressed. In Canada, I believe, the concern is not solely with the tax/RPI relationship, but, rather more importantly, with price/unemployment. Significant proportions of their market now have reduced disposable income (due to unemployment, short time working, etc.), hence the increased demand for fine cut/tubes. For these people, cost is a real concern.

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Turning to "the problem of social acceptance", I doubt that we shall find a simple personality profile to characterise the "sensitive" smoker, although our Project ARIES may shed some light on this topic. The problem is that nearly all smokers are sensitive, to a lesser or greater extent, and depending upon environmental circumstances. It is the democratic appeal of the social acceptability argument that makes it difficult for the ordinary smoker to cope with others' objections. In our view, the value of, for example, the reduced sidestream cigarette is that it allows the concerned smoker to point to his product to indicate some acknowledgement of the problem. Whether such "tokenism" will prove sufficient to assuage his critics remains to be seen. Is this "supporting the 'weak'"?

Finally, researching along the lines "What will people do if....." is fraught with dangers. Firstly, how does one provide a sufficiently convincing simulation of the future to ensure the results are valid? Secondly, would the marketing decision-makers act on any results obtained anyway? Given that different countries have evolved to different levels, and coped with different marketing restrictions in a variety of ways, we should rather, I believe, take the opportunity to study these real situations and learn from actuality rather than spend too much effort attempting complex simulations of hypothetical futures.

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